

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

City of Detroit
CITY COUNCIL
FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cnci.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: Victor M. Mercado, Director
Chief of Utilities

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 5, 2008

RE: 2008-2009 Budget Analysis

ly.

Attached is our budget analysis regarding the Water Department's budget for the upcoming 2008-2009 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Norman White, Finance Department Director
Pam Scales, Budget Department Director
Ervin Stewart, Budget Department Team Leader
Kerwin Wimberly, Mayor's Office

Water Department (41)

FY 2008-2009 Budget Analysis by the Fiscal Analysis Department

Summary

The Water Department is an Enterprise Fund agency. The Water Department is administratively part of the Detroit Water and Sewerage Department (DWSD) while maintained as a separate fund in the City of Detroit accounting system.

The Mayor's Proposed Budget for 2008-2009 includes appropriations and revenues, each totaling \$348,375,330, to the Water Department, leaving a net tax cost to the City of \$0. This amount represents an increase of \$14,144,707 (4.2%) over the \$334,230,623 budgeted in 2007-2008. The \$14,144,707 increase is due to the increase in water rates.

2007-2008 Surplus/(Deficit)

There is no projected surplus or deficit for the Water Department of the DWSD for fiscal year 2007-2008.

Overtime

The Mayor's Proposed Budget for 2008-2009 includes \$5,245,280 for overtime this is a decrease of \$410,297 from the 2007-2008 budgeted amount of \$5,655,577. As of March 31, 2008, the Water Department has expended \$5,027,708 for overtime in 2007-2008.

Personnel and Turnover Savings

There are no projected turnover savings for the Water Department in the Mayor's Proposed Budget for 2008-2009.

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2007-08</u>	<u>Filled Positions 3/31/2008</u>	<u>Mayor's Budget Positions FY 2008-09</u>	<u>Over/(Under) Actual to 07/08 Budget</u>	<u>Mayor's Recommended Turnover</u>
Water (41)					
411010 Office of the Director	9	7	8	(2)	\$ -
411015 Process Networks and Scada Syste	18	3	0	(15)	
411020 Public Affairs Division	33	24	33	(9)	\$ -
411080 Security	130	122	130	(8)	\$ -
411110 Information Systems Admin. Svcs.	49	46	0	(3)	\$ -
411200 Contracts & Grants	28	23	28	(5)	\$ -
411220 Commercial Operations	212	175	212	(37)	\$ -
411250 Meter Operations	87	55	87	(32)	\$ -
411280 Systems Operations Control	35	24	0	(11)	\$ -
411290 Water Technical Services	7	6	0	(1)	\$ -
411300 Operations Services	10	8	0	(2)	\$ -
00085 Administration	618	493	498	(125)	\$ -
412010 Ofc. of the Asst. Dir. Of Fin. Svc. Grp.	2	2	2	0	\$ -
412020 Financial Administrative Services	8	5	8	(3)	\$ -
412080 General Accounting Admin. Svcs.	61	51	61	(10)	\$ -
412220 Purchasing	25	18	25	(7)	\$ -

412230 Material Management	70	60	70	(10)	\$	-
00086 Financial Support Group	166	136	166	(30)	\$	-
414010 Ofc. of Asst. Dir. Asset Maintenance	7	0	7	(7)	\$	-
414130 Mechanical Opns. Administration	280	220	280	(60)	\$	-
414200 Water Board Building	46	34	46	(12)	\$	-
414240 Maintenance and Repair 2004	454	309	454	(145)	\$	-
414360 Central Service Facility	1	0	1	(1)	\$	-
00087 Facilities Management	788	563	788	(225)	\$	-
415010 Ofc. of Asst. Dir of Water Opns.	6	4	6	(2)	\$	-
415020 Water Works Park	49	42	49	(7)	\$	-
415030 Springwells Plant	48	36	48	(12)	\$	-
415040 Northeast Plant	30	21	30	(9)	\$	-
415050 Southwest Plant	31	27	31	(4)	\$	-
415060 Lake Huron Plant	27	24	27	(3)	\$	-
415390 Water Quality	15	11	15	(4)	\$	-
00088 Water Operations Group	206	165	206	(41)	\$	-
413010 Ofc. of Asst. Dir. of Eng. Svcs.	3	3	1	0	\$	-
413020 Engineering Administrative Support	138	95	137	(43)	\$	-
05817 Engineering Services-Water	141	98	138	(43)	\$	-
411011 Asst Dir - Info Tech & Sys Integration	0	4	6	4	\$	-
411016 Process Networks and SCADA Sys	0	0	19	0	\$	-
411115 Information Systems Administrative	0	0	49	0	\$	-
411285 Systems Operations Control	0	0	35	0	\$	-
411295 Water Technical Services	0	0	7	0	\$	-
411305 Operational Services	0	0	10	0	\$	-
12448 Info Tech & Systems Integration & O	0	4	126	4	\$	-
41XXXX Leave of Absence	0	(21)	0	(21)	\$	-
41XXXX Worker's Comp	0	(33)	0	(33)	\$	-
41XXXX Unmatched Positions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$</u>	<u>-</u>
TOTAL	<u>1,919</u>	<u>1,405</u>	<u>1,922</u>	<u>(514)</u>	<u>\$</u>	<u>-</u>

Proposed Layoffs and Position Changes

There are no proposed layoffs for the Water Department in the Mayor's Proposed Budget for 2008-2009. The Mayor's Proposed Budget for 2008-2009 includes a net addition of 3 positions.

Significant Funding Changes by Appropriation

<u>Appro.</u>	<u>Program</u>	
00085	Administration	The Mayor's Proposed Budget for 2008-2009 includes \$29,128,030 for Administration. This amount is \$26,635,338 less than the 2007-2008 Budget of \$55,763,368. The decrease is mainly due to the shifting of the information technology services operations and the pumping station operations into a new appropriation.

This \$26,635,358 decrease is due to a \$12,049,935 decrease in Operating Services, \$9,860,782 decrease in Professional

and Contractual Services, \$3,728,519 decrease in Operating Supplies, a \$3,474,232 decrease in Salaries and Wages, and a \$3,077,230 decrease in Employee Benefits. These decreases are offset by a \$5,555,360 increase in Other Expenses.

12448	Information Technology and Systems Integration and Organization Operations	<p>The Mayor's Proposed Budget for 2008-2009 includes a total of \$24,912,713. There was no appropriation budgeted in 2007-2008.</p> <p>The divisions included in this appropriation was previously included in the Administration appropriation (Appropriation number 0085).</p>
00086	Financial Services Group	<p>The Mayor's Proposed Budget for 2008-2009 includes \$5,985,317 for the Financial Services Group. This amount is \$219,369 more than the 2007-2008 Budget of \$5,765,948.</p> <p>The increase is due to a \$270,346 increase in Other Expenses, a \$109,000 increase in Operating Services, and a \$2,000 increase in Operating Supplies. The increases are offset by a \$119,088 decrease in Employee Benefits, a \$41,889 decrease in Salaries and Wages, and a \$1,000 decrease in Professional and Contractual Services.</p>
00087	Asset Maintenance Group	<p>The Mayor's Proposed Budget for 2008-2009 includes \$41,735,917 for the Asset Maintenance Group. This amount is \$867,059 less than the 2007-2008 Budget of \$42,602,976.</p> <p>This decrease is due to decreases of \$2,423,634 in Salaries and Wages, and \$2,495,149 in Employee Benefits offset by an increase of \$3,436,922 in Professional and Contractual Services; an increase of \$564,250 in Operating Services; along with various miscellaneous increases and decreases.</p>
00088	Water Operations Group	<p>The Mayor's Proposed Budget for 2008-2009 includes \$52,521,248 for the Water Operations Group. This amount is \$2,493,997 more than the 2007-2008 Budget of \$50,027,251.</p> <p>This increase is largely due to an increase of \$2,144,128 in Other Expenses offset by increases and decreases in various categories.</p>
05817	Engineering Services – Water	<p>The Mayor's Proposed Budget for 2008-2009 includes \$3,933,005 for Engineering Services. This amount is \$262,625 more than the 2007-2008 Budget of \$3,670,380.</p> <p>This increase is largely due to an increase of \$288,778 in Other Expenses offset by miscellaneous increases and decreases.</p>

00163	Debt Service and Maintenance	<p>The Mayor's Proposed Budget for 2008-2009 includes a total of \$148,722,200. This amount is \$14,815,400 more than the 2007-2008 Budget of \$133,906,800.</p> <p>The increase is due to an increase of \$13,275,400 in interest and a \$1,540,000 increase for the retirement of debt principle.</p>
00164	Water System Improvements	<p>The Mayor's Proposed Budget for 2008-2009 includes a total of \$36,434,800. This amount is \$1,059,100 less than the 2007-2008 Budget of \$37,493,900.</p> <p>The decrease is due to a decrease of \$1,059,100 in miscellaneous expenses.</p>
00583	Water Extraordinary Repair and Replacement	<p>The Mayor's Proposed Budget for 2008-2009 includes a total of \$2,100. There was no appropriation for the 2007-2008 Budget.</p> <p>The increase is due to an increase in miscellaneous expenses.</p>
05733	Reserve Deposit	<p>The Mayor's Proposed Budget for 2008-2009 includes a total of \$5,000,000. This is the same amount budgeted in 2007-2008. This appropriation is used for Bad Debts.</p>

Water (41)

Budgeted Professional and Contractual Services by Activity	FY 2007-08 Budget	FY 2008-09 Recommended	Increase (Decrease)
Administration Services	\$ 14,180,916	\$ 4,320,134	\$ (9,860,782)
IT & Systems Integration - Water	\$ -	\$ 8,268,540	\$ 8,268,540
Financial Services	2,416,000	2,415,000	(1,000)
Asset Management	11,123,248	14,560,170	3,436,922
Plant Operations-Water	2,873,821	2,458,354	(415,467)
Engineering Services-Water	50,000	65,000	15,000
Water-Capital & Debt Service	-	-	-
Total	<u>\$ 30,643,985</u>	<u>\$ 32,087,198</u>	<u>\$ 1,443,213</u>

Significant Revenue Changes

04826	Revenue Water Receiving	<p>The Mayor's Proposed Budget for 2008-2009 includes revenue of \$335,519,630 this is \$17,213,307 more than the 2007-2008 Budget of \$318,306,323.</p> <p>This difference is largely due to a \$2,513,143 increase in revenue from the retail sale of water and a \$13,719,680 increase in the wholesale sale of water.</p> <p>The budget Assumes passage of the 2008-09 water rates.</p>
04827	Revenue – Water Operation – Maintenance	<p>The Mayor's Proposed Budget for 2008-2009 includes revenue of \$280,700. There was no revenue included in the 2007-2008 Budget.</p> <p>The revenue is from Earnings on Investments.</p>
00163	Debt Service and Maintenance	<p>The Mayor's Proposed Budget for 2008-2009 includes revenue of \$3,773,100 for debt service and maintenance. This is an increase of \$407,400 more than the 2007-2008 Budget of \$3,365,700.</p> <p>This difference is due to an increase from the earnings on investment.</p>
00164	Water System Improvements	<p>The Mayor's Proposed Budget for 2008-2009 includes revenue of \$792,900 for water system improvements. This is a decrease of \$188,900 from the 2007-2008 Budget of \$981,800.</p> <p>This difference is due to a decrease in the earnings on investment.</p>
00583	Water Extraordinary Repair and Replacement	<p>The Mayor's Proposed Budget for 2008-2009 includes revenue of \$939,600 for water extraordinary repair and replacement. This is a decrease of \$47,800 from the 2007-2008 Budget of \$987,400.</p> <p>This difference is due to a decrease from the earnings on investment.</p>
11487	Water Bond Fund Series 2005	<p>The Mayor's Proposed Budget for 2008-2009 includes no revenue from the Series 2005 Bonds. This is a decrease of \$10,589,400 from the 2007-2008 Budget.</p> <p>This difference is due to a decrease from the earnings on investment.</p>

12140	Water Bond Fund Series 2007	The Mayor's Proposed Budget for 2008-2009 includes revenue of \$7,069,400 from the Series 2007 Bonds. This is an increase of \$7,069,400 from the 2007-2008 Budget of zero.
-------	--------------------------------	---

The increase is due to earnings on investment.

Issues and Questions

1. Is the water rate increase included in the 2008-2009 budget? If the Council does not pass the rate increase, what adjustments will the department have to make to the budget?
2. The department is purchasing two parcels of land from the Planning and Development Department for \$10 million. For what purpose will the department use the properties? Approximately, how long will it take the department to develop the parcels and put them into service?
3. The department has established a new appropriation for its information technology services and operations. What is the purpose for creating the new appropriation?